

The Honorable Thomas S. Zilly

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

HYUN JOO HONG,
aka GRACE HONG,

Defendant

NO. CR17-163TSZ-002

**UNITED STATES' SUPPLEMENTAL
SENTENCING MEMORANDUM**

The United States of America, by and through Annette L. Hayes, United States Attorney for the Western District of Washington, and Justin W. Arnold and Steven T. Masada, Assistant United States Attorneys, files this supplemental memorandum regarding defendant Hyun Joo Hong, a/k/a "Grace Hong," in anticipation of the sentencing hearing in the aforementioned matter. The purpose of this memorandum is to briefly address assertions raised by Ms. Hong in her sentencing filing (Dkt. #112).

I. DISCUSSION

Defendant Grace Hong, by heavily relying on certain stereotypes and by focusing only on anecdotes that fit her narrative, presents herself as a naïve and largely passive participant in the massive fraud the Hongs jointly operated for roughly seven years. While it may be true that Laurence Hong was the instigator of the investment fraud

1 scheme, it is also beyond legitimate dispute that Ms. Hong, once involved, was
2 wholeheartedly dedicated to the fraudulent enterprise.

3 Grace Hong's representations are frankly over-the-top. For instance, in an effort
4 to minimize her egregious conduct, she even represents to this Court that she sincerely
5 believed that Laurence Hong was managing billions of dollars of investor funds in an
6 overseas fund --- a belief that "persisted until the day she was arrested." Dkt. #112
7 ("G. Hong Memo") at 16.

8 Simply put, such claims border on the preposterous. In fact, in his letter to the
9 Court, Laurence Hong states he told Grace Hong he did not manage money for wealthy
10 clients in Asia "by 2015." Dkt. #124 at 4 (Laurence Hong: "But what shocked her most
11 was when I admitted to her that I lied to her about managing money for wealthy clients in
12 Asia."). In other words, the Hong's cannot even keep their lies straight, and Grace Hong
13 continues her deceptive behavior to this day, but now directs her efforts toward the Court.

14 Grace Hong, furthermore, is a well-educated individual, who attended various
15 American schools and, by her own admission, charted her own course against her
16 parents' advice. She earned an undergraduate degree and an MBA and worked, albeit
17 briefly, in the competitive finance industry. That is, unlike Laurence Hong, she has a
18 legitimate background in investment services. It was that knowledge that enabled her to
19 market herself and to solicit investors as the President of Pishon businesses and as a
20 seasoned hedge fund manager. By way of example, Grace Hong attended the solicitation
21 meeting with the FBI undercover officer, posing as a wealthy investor, where she
22 admitted that she drafted the Pishon prospectus and marketing materials. The Court need
23 only view the video of the Hong's' August 2016 presentation at the Lancaster Prophetic
24 Conference, or review the various victim impact statements, or listen to Ms. Hong's
25 trading activity in recorded phone calls to the brokerage firms,¹ to dismiss any suggestion
26 that Ms. Hong was anything short of a full participant in the fraud scheme. Simply put,
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28 ¹ All of which have been provided to the Court as Government Sentencing Exhibits. For instance, Exhibit D to the
United States' Sentencing Memorandum regarding Grace Hong (Dkt. #117).

1 the defense's contention that Grace Hong, as a traditional Korean wife, loyally and
 2 naively acted only at her husband's direction and largely in a secretarial role belies the
 3 facts and common sense.

4 There is a wealth of examples of Grace Hong's fraudulent behavior that cannot be
 5 attributed to Laurence Hong and further undercuts her claim that she sincerely believed
 6 that the Hong's had any legitimate income or assets whatsoever. Below are merely a few
 7 additional examples of her conduct that further undermine the distorted image Grace
 8 Hong presents to the Court and dismisses any notion that her role was anything but
 9 integral and knowing:

10 • Back in 2010 (when she now claims she believed to be extremely wealthy),
 11 Grace Hong provided false information and fake documents in order to avoid paying
 12 amounts owed for the Hong's gym membership. More specifically, she claimed that she
 13 and Laurence Hong were professors relocating to South Korea to teach at Seoul National
 14 University Business School.

15 From: Grace Lee
 16 To: [REDACTED]
 Subject: Re: DavidBartonGym
 Date: Wednesday, December 29, 2010 12:41:41 PM

17 Hi Nora,

18 I talked to you on 16th Dec in regards to my membership (Hyun Joo Lee and Sung
 19 (Laurence) Hong) cancellation at David Barton Seattle.

20 I've faxed the following documents to qualify for the cancellation.

- 21 1) Residential Lease Agreement
 22 2) Flight e-tickets
 23 3) Original letter from my employer on official letterhead.

24 It took a bit to get the lease agreement from Korea because of the holidays but I hope to take
 25 care of this matter before I go back to Korea next early next month.
 26 I've also talked to my employer and she is willing to talk to you guys to verify our relocation
 27 as well.

28 Please review the documents and get back to me as soon as you can. If you need further
 information, you can reach me on my cell 206-707-[REDACTED] or e-mail:
[gracelee.hong1@\[REDACTED\]](mailto:gracelee.hong1@[REDACTED])

Thank you.

Regards,
 Grace Lee

1 In support of her lie, she submitted fake documentation, namely, (1) a fake lease
2 agreement for a residence in Korea, (2) a fake letter purportedly from Seoul National
3 University confirming their employment as professors, and (3) a fake flight itinerary.
4 Here is the bogus letter Grace Hong produced:



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11 May 23, 2010

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13 Dear Sir or Madam:

14 This letter is written to confirm that Hyun-Joo Lee (Grace Lee) and Sung Hong
15 (Laurance Hong) are employed as Associate Professors at Seoul National University
16 Business School in Korea. They will both start their new jobs and relocate to Seoul,
17 Korea on 2nd of June, 2010.

18 Should you have any questions or need further information, please contact me.

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Attached as Exhibit A² is Ms. Hong's email to the gym, along with the fake records. That Grace Hong would go to such lengths to avoid paying modest gym

² Each of the Exhibits hereto have been produced to the defendants through the discovery process and provided to the U.S. Probation Office.

1 membership dues undermines any notion that she legitimately believed that
2 Laurence Hong actually was managing an overseas fund and earning millions of
3 dollars for it.

4 • In an email in January 2012 concerning possibly renting a house, Grace Hong
5 falsely claimed: “I am a hedgefund manager based in the US and Asia and some of my
6 clients are interested in investing in commercial properties here in Seattle.” A copy of
7 this email is attached as Exhibit B. Again, notably omitted is any mention that her
8 husband managed a multi-billion-dollar fund for investors.

9 • In March 2012, a Korean newspaper, the Women News, published an article
10 about Grace Hong and Pishon Holdings based on an interview with Ms. Hong conducted
11 in February 2012. In it, Ms. Hong claimed to be a lawyer as well as an MBA graduate
12 from a prestigious Ivy League school. In June 2014, Grace Hong, implicitly endorsing
13 the content, sent the article to at least one investor in Pishon. The email, article, and
14 English translation are attached as Exhibit C. The article recounts numerous false
15 statements concerning Grace Hong and Pishon. These include the false assertion that
16 “[i]n order to acquire deeper professional knowledge about the law, [Grace] Hong went
17 to Columbia law school and got a juris doctor and an MBA degree....” In addition, the
18 article falsely touts a long history of working for “large financial companies from 2003 to
19 2010,” including a three-year stint as a derivatives products trader at Deutsche Bank.
20 Finally, the article also fraudulently claims that Grace Hong “is opening up an office of
21 Pishon Holdings in Korea this September.” Immediately thereafter, the article touts
22 Pishon’s biblical reference and asserts: “Her interest in social contribution is so
23 extraordinary that she is looking to setting up Pishon Foundation to which over half of
24 the profit of Pishon fund will be set aside.” This not only confirms that the Hong were
25 pretending to act on behalf of a religious and charitable organization for Sentencing
26 Guidelines purposes, it also illustrates Grace Hong’s primary role at the forefront of this
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1 | immense fraud scheme that spanned the Pacific Ocean (while simultaneously
2 | contradicting Ms. Hong's portrayal of gender roles in modern Korean culture³).

3 | • In approximately May 2012, Grace Hong retained a Bellevue-based accounting
4 | firm to prepare her personal income taxes. The firm's new client acceptance form listed
5 | how Ms. Hong came to the firm. Importantly, the form makes clear that Ms. Hong came
6 | to the firm by misrepresenting her financial future. The form reads, "Additionally,
7 | Grace's father recently passed away in Hong Kong and Grace will be inheriting a vast
8 | fortune [sic] in the coming years that she has estimated to be approx. \$250 million." A
9 | copy of the form is attached as Exhibit D. Of course, Ms. Hong's father did not pass
10 | away and is alive and well, and as acknowledged by Grace Hong in her own sentencing
11 | memorandum, he has nowhere near \$250 million to pass along to Ms. Hong. Again, this
12 | further proves that by then she had no sincere belief that Laurence Hong was a legitimate
13 | investor or fund manager.

14 | • In addition, the Hong's' actual tax returns reflect that they made no income from
15 | 2012 through 2016. That is, Grace Hong declared \$0 in taxable income for tax years
16 | 2012 through 2015, and did not file a return with the Internal Revenue Service (IRS) for
17 | 2016. Laurence Hong did not file a return with the IRS for tax years 2013 through 2016.
18 | Neither declared large off-shore holdings or accounts. Again, this conduct undermines
19 | her suggestion that she legitimately believed that Laurence Hong actually was managing
20 | an overseas fund or had any legitimate income.

21 | • Most recently, as noted by the Probation Office in its Pretrial Release Report, in
22 | June 2017, shortly after her arrest and release on pretrial bond in this case, Grace Hong
23 | violated the asset freeze and restraining order imposed by Judge Robart in the pending
24 | CFTC civil litigation. Specifically, on June 12, 2017, Grace Hong contacted a yacht
25 | broker and, in an apparent attempt to avoid the asset freeze, directed that the \$2,000
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27 |
28 | ³ It also is worth mentioning that Park Geun-hye, a woman, was the elected President of South Korea, serving from 2013 to 2017.

1 refund of the Hong's' down payment for a yacht charter be issued to her mother-in-law
 2 (Hyo Hong), even though the money was part of the Hong's' fraudulently obtained funds.
 3 Grace Hong claimed the reason for the cancellation was her dissatisfaction with the boat
 4 options.

5
 6 From: Christine C [REDACTED]
 To: [Moran, Kathleen \(SE\) \(FBI\)](#)
 Subject: Grace Hong
 Date: Thursday, December 07, 2017 1:03:29 PM
 Attachments: ~WRD000.idq

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 9 From: sunchap@daum.net [mailto:sunchap@daum.net] On Behalf Of daumahn
 10 Sent: Monday, June 12, 2017 10:06 AM
 To: Christine C [REDACTED] <[REDACTED]@ayc.com>
 11 Subject: sea ray reservation cancellation

12 dear Christine,

13 i would like to cancel my reservation since none of the other boats will work for us during that period.

14 please send refund check to [REDACTED] pl SW Lynwood, WA 98036

15 check made out to Hyo Hong

16 thank you
 17 Grace

18 Then, on June 26, 2017, Grace Hong called again inquiring about her refund status and
 19 again confirming that the check should be made out in the name of Hyo Hong. While
 20 Grace Hong insists she did not cash the check or place the funds into her checking
 21 account, as far as the United States understands, the \$2,000 has not been returned to the
 22 CFTC or otherwise set aside for victim restitution. Rather, it resulted in CFTC filing an
 23 amended complaint to allege violation of the court's order. Copies of Grace Hong's
 24 emails to the yacht broker are attached as Exhibit E.

25 II. CONCLUSION

26 In short, Grace Hong's position at sentencing is premised on a distortion of the
 27 actual facts and circumstances of this case. Ms. Hong, rather than acknowledge her role
 28 and misconduct and pursue forgiveness and victim restitution (*i.e.*, in stark contrast to

1 other investment fraud defendants sentenced in this District, such as Chris Yoo and
2 Rhonda Breard, discussed in the United States' sentencing memoranda), elects instead to
3 continue down the same path that brought her before this Court. Simply put, the
4 narrative pressed by Ms. Hong is not borne out by the evidence and further illustrates her
5 ongoing lack of full acceptance of responsibility.

6
7 DATED this 9th day of October, 2018.

8 Respectfully submitted,

9 ANNETTE L. HAYES
10 United States Attorney

11 s/ Justin W. Arnold
12 JUSTIN W. ARNOLD
13 Assistant United States Attorney

14 s/ Steven Masada
15 STEVEN T. MASADA
16 Assistant United States Attorney
17 United States Attorney's Office
18 700 Stewart Street, Suite 5220
19 Seattle, Washington, 98101-1271
20 Telephone: (206) 553-7970
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CERTIFICATE OF SERVICE

I hereby certify that on October 9, 2018, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the attorney(s) of record for the defendant(s).

s/ Steven T. Masada
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